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*Title*  
Davis Distributing  
& Vending Limited

**Annual Report 1972**

**DAVIS**

Davis Distributing  
& Vending Limited

*Directors:*

B. Davis  
S. D. Vader  
I. J. Grosman  
J. C. McCartney

*Officers:*

B. Davis, *President*  
S. D. Vader, *Vice President and Secretary*  
I. J. Grosman, *Treasurer*  
T. J. Gowland, *Vice President, Merchandising*

*Transfer Agent and  
Registrar:*

The Metropolitan Trust Company  
Toronto, Ontario

*Co-Transfer Agent:*

The Morgan Trust Company  
Montreal, Quebec

*Bankers:*

Bank of Montreal, Toronto

*Auditors:*

Richter, Usher & Vineberg  
Chartered Accountants, Toronto

*Legal Counsel:*

Harvey and Associates  
Barristers & Solicitors, Toronto

*Subsidiaries:*

Nathan Davis Vending Limited  
Young-Robertson Limited

*Listing:*

Canadian Stock Exchange

**DAVIS**

Davis Distributing  
& Vending Limited

**REPORT TO THE SHAREHOLDERS:**

Our fourth annual report to shareholders for the year ended June 30, 1972 includes consolidated financial statements of Davis Distributing & Vending Limited and its wholly-owned subsidiaries, Young-Robertson Limited and Nathan Davis Vending Limited.

Sales increased again, to \$20,420,849 as compared with \$17,780,908 last year. Consolidated net earnings amounted to \$286,143 or 57.3¢ per share. This includes an extraordinary profit on the sale of the vending business of Nathan Davis Vending Limited, which was completed in January, 1972. Operating profit was \$140,521 or 28.2¢ per share compared to 20.5¢ per share last year.

Sales in the first quarter of the current fiscal year are up over the same period last year. Much of the Company's success is due to its able and aggressive management team.

If approved by the shareholders, the Company will change its name to Davis Distributing Limited. This name better reflects the business now being carried on.

The Company is continuing to make steady progress in sales and earnings. It has paid quarterly dividends for three years. In view of improved earnings again this past year, the directors will be considering a further increase in dividends at their next meeting.

On behalf of the board,

B. DAVIS,  
President.

October 20th, 1972.

## CONSOLIDATED BALANCE SHEET

	ASSETS	June 30 1972	June 30 1971
<b>CURRENT ASSETS</b>			
Cash . . . . .	\$ 193,223	\$ 112,735	
Accounts receivable . . . . .	1,626,355	1,581,195	
Inventories, at the lower of cost or net realizable value . . . . .	1,444,755	1,416,998	
Prepaid expenses and sundry assets . . . . .	69,880	47,177	
	<u>\$3,334,213</u>	<u>\$3,158,105</u>	
<b>FIXED ASSETS – Note 2</b>			
Land, building, equipment, vehicles and leasehold improvements . . . . .	\$ 493,150	\$ 818,808	
Accumulated depreciation . . . . .	138,575	253,893	
	<u>\$ 354,575</u>	<u>\$ 564,915</u>	
<b>EXCESS OF COST OVER BOOK VALUE OF BUSINESSES AND SUBSIDIARY ACQUIRED . . . . .</b>	<u>\$ 71,388</u>	<u>\$ 139,388</u>	
	<u><u>\$3,760,176</u></u>	<u><u>\$3,862,408</u></u>	
	<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>			
Bank advances – Note 3 . . . . .	\$ 675,000	\$ 705,000	
Accounts payable and accrued liabilities . . . . .	1,544,805	1,697,900	
Current portion of long term liabilities . . . . .	3,500	12,008	
Income taxes payable . . . . .	84,710	83,412	
	<u>\$2,308,015</u>	<u>\$2,498,320</u>	
<b>LONG TERM LIABILITIES – Note 4 . . . . .</b>	<u>\$ 26,214</u>	<u>\$ 198,243</u>	
	<b>SHAREHOLDERS' EQUITY</b>		
<b>CAPITAL STOCK – Note 6 . . . . .</b>	<u>\$ 537,856</u>	<u>\$ 537,856</u>	
<b>RETAINED EARNINGS AND EXCESS OF APPRAISED VALUE OF LAND OVER COST – Note 7 . . . . .</b>	<u>892,090</u>	<u>627,989</u>	
	<u><u>\$1,429,946</u></u>		
2,600 Common Shares purchased, at cost	<u>3,999</u>		
	<u><u>\$1,425,947</u></u>	<u><u>\$1,165,845</u></u>	
	<u><u>\$3,760,176</u></u>	<u><u>\$3,862,408</u></u>	

Approved on behalf of the Board:

B. DAVIS *Director*  
I.J. GROSSMAN *Director*

**AUDITORS' REPORT**

To the shareholders of

DAVIS DISTRIBUTING &amp; VENDING LIMITED

We have examined the consolidated balance sheet of Davis Distributing & Vending Limited and subsidiary companies as at June 30, 1972 and the consolidated statements of earnings, retained earnings and excess of appraised value of land over cost, and source and use of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at June 30, 1972 and the results of their operations and the source and use of their funds for the year ended on that date in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada  
August 25, 1972

RICHTER, USHER & VINEBERG,  
Chartered Accountants

**DAVIS**

Davis Distributing  
& Vending Limited

**CONSOLIDATED STATEMENT OF EARNINGS**

	For the Year Ended	June 30	June 30
	1972	1971	
Sales . . . . .	\$ 20,420,849	\$ 17,780,908	
Cost of sales, operating and administrative expenses, exclusive of depreciation and interest . . . . .	<u>20,058,678</u>	<u>17,446,852</u>	
	\$ 362,171	\$ 334,056	
Depreciation . . . . .	\$ 59,954	\$ 78,186	
Interest (including interest of \$7,136 on long term debt, 1971 — \$11,821) . . . . .	<u>37,550</u>	<u>57,329</u>	
	\$ 97,504	\$ 135,515	
Net earnings before income taxes and extraordinary items . . . . .	\$ 264,667	\$ 198,541	
Provision for income taxes . . . . .	<u>124,146</u>	<u>95,807</u>	
Net earnings before extraordinary items . . . . .	\$ 140,521	\$ 102,734	
Extraordinary items — Note 8 . . . . .	<u>145,622</u>	<u></u>	
Net earnings . . . . .	<u>\$ 286,143</u>	<u>\$ 102,734</u>	
Earnings per class A share and common share			
Before extraordinary items . . . . .	<u>28.2¢</u>	<u>20.5¢</u>	
Including extraordinary items . . . . .	<u>57.3¢</u>	<u>20.5¢</u>	

**CONSOLIDATED STATEMENT OF RETAINED EARNINGS AND EXCESS OF APPRAISED VALUE OF LAND OVER COST**

Balance — beginning of year . . . . .	\$ 627,989	\$ 535,863
Net earnings . . . . .	<u>286,143</u>	<u>102,734</u>
	\$ 914,132	\$ 638,597
Dividends		
Class A shares — 3¢ per share (Nil 1971) . . . . .	\$ 9,750	\$ 9,750
Common shares — 7¢ per share (6¢ 1971) . . . . .	<u>12,292</u>	<u>10,608</u>
	\$ 22,042	\$ 10,608
Balance — end of year . . . . .	<u>\$ 892,090</u>	<u>\$ 627,989</u>

**CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS**

Funds were provided from

Operations			
Net earnings before extraordinary items . . . . .	\$ 140,521	\$ 102,734	
Non cash charges to earnings			
— depreciation . . . . .	\$ 59,954	\$ 78,186	
	\$ 200,475	\$ 180,920	
Proceeds from sale of equipment and goodwill — net . . . . .	<u>399,029</u>	<u>399,029</u>	
Proceeds from issue of common shares . . . . .	<u>\$ 599,504</u>	<u>53,606</u>	
	\$ 599,504	\$ 234,526	

Funds were used for

Fixed asset additions . . . . .	\$ 35,021	\$ 111,364
Equipment instalments and mortgage payments . . . . .	9,029	11,046
Dividends . . . . .	22,042	10,608
Purchase of common shares . . . . .	3,999	
Redemption of notes payable . . . . .	113,000	
Balance of purchase price of vending business . . . . .	50,000	
Excess of cost over book value of businesses and subsidiary acquired . . . . .	<u>64,388</u>	<u>64,388</u>
	\$ 233,091	\$ 197,406

Increase in working capital

Working capital — beginning of year . . . . .	\$ 366,413	\$ 37,120
	<u>659,785</u>	<u>622,665</u>
Working capital — end of year . . . . .	<u>\$ 1,026,198</u>	<u>\$ 659,785</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 1972

**NOTE 1 — BASIS OF CONSOLIDATION**

The consolidated financial statements include the accounts of Davis Distributing & Vending Limited and its wholly owned subsidiaries, Nathan Davis Vending Limited and Young-Robertson Limited.

All material inter-company amounts have been eliminated on consolidation.

**NOTE 2 — FIXED ASSETS**

Fixed assets are classified as follows:

	At Cost Or As Stated	Accumulated Depreciation	Net Book Value
Land, at appraised value June 16, 1965 .....	\$198,000		\$198,000
Building .....	85,543	\$ 32,606	52,937
Vending equipment .....	32,121	18,057	14,064
Warehouse and office equipment .....	105,325	61,213	44,112
Vehicles .....	33,576	18,639	14,937
Leasehold improvements .....	38,585	8,060	30,525
	<u>\$493,150</u>	<u>\$138,575</u>	<u>\$354,575</u>

Depreciation rates adopted by the company are:

(a) On the diminishing balance method

Building — 5% per annum

Warehouse and office equipment — 20% per annum

Vehicles — 30% per annum

(b) On the straight line method

Vending equipment — 1/7 per annum

Leasehold improvements — term of lease

**NOTE 3 — SECURITY FOR BANK ADVANCES**

The accounts receivable have been pledged as security for the bank advances.

**NOTE 4 — LONG TERM LIABILITIES**

Long term liabilities consist of the following:

	June 30 1972	June 30 1971
7% mortgage payable — note 5 .....	\$ 29,714	\$ 33,286
Equipment instalments payable .....		13,965
7½% notes payable .....		113,000
Balance of purchase price of vending business .....		50,000
	<u>\$ 29,714</u>	<u>\$210,251</u>
Less current portion .....	3,500	12,008
	<u>\$ 26,214</u>	<u>\$198,243</u>

**NOTE 5 – 7% MORTGAGE PAYABLE**

The company's property at 162 Queen's Quay East, Toronto, has been pledged as security for the mortgage payable. The mortgage is repayable \$447 monthly including interest and matures February 1, 1977.

**NOTE 6 – CAPITAL STOCK**

Authorized

500,000 class A shares without par value .....
500,000 common shares without par value .....

Issued

325,000 class A shares .....	\$ 1,250
176,803 common shares .....	<u>536,606</u>
<u>\$537,856</u>	

The class A shares are convertible at any time into fully paid common shares on a one for one basis.

No dividend may be declared on the class A shares in any financial period unless a dividend of the same or greater amount is or has been declared on the common shares in such financial period.

Options have been granted to employees to purchase up to 5,000 common shares at \$3.50 per share until July 31, 1972. No material dilution of earnings would result from the exercise of these options.

**NOTE 7 – RETAINED EARNINGS AND EXCESS OF APPRAISED VALUE OF LAND OVER COST**

The retained earnings and excess of appraised value of land over cost includes \$158,777 excess of appraised value of land over cost resulting from an appraisal on June 16, 1965.

**NOTE 8 – EXTRAORDINARY ITEMS**

Extraordinary income resulted from the sale of the goodwill and equipment of the vending business of a subsidiary, less \$37,027 income tax thereon.

**NOTE 9 – LEASE OBLIGATION**

The company has a lease commitment, expiring in 1989, for its warehouse at an annual rental of \$78,027.

**NOTE 10 – REMUNERATION OF DIRECTORS AND SENIOR OFFICERS**

The aggregate direct remuneration paid or payable by the company and its subsidiaries to directors and senior officers as defined by The Securities Act (1966) of Ontario for the fiscal year ended June 30, 1972 was \$85,195.



Davis Distributing  
& Vending Limited

45 Logan Avenue, Toronto 252, Ontario



KERN STATIONERS LIMITED  
TORONTO